

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2580-02
Bill No.: HB 1533
Subject: Chiropractors; Health Care; Health Care Professionals; Insurance - Medical;
Medical Procedures and Personnel
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
All funds	(Unknown)	(Unknown)	(Unknown)
General Revenue	(\$0 to \$3,918,355)	(\$0 to \$4,861,062)	(\$0 to \$5,079,810)
Insurance Dedicated	\$9,850	\$0	\$0
Highway	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation** assume this proposal would not fiscally impact their agency.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state this proposal includes chiropractic care under the definition of “basic health care services” under Chapter 354 and “health care services” under Chapter 376. Under Chapter 354, chiropractic care shall be without discrimination relative to access, cost and benefit limits. Under Chapter 376, patients are to have direct access to chiropractic care from a participating provider. HCP states the benefit level for such care shall not be discriminatory.

HCP currently offers chiropractic care in the same manner as any medical condition under the HMO and POS plans. However, HCP’s gatekeeper HMOs currently require a referral from the gatekeeper. This proposal would eliminate the referral process. HCP states this will increase their costs to some extent. Anytime the health carriers cannot direct and manage care through a gatekeeper, costs rise.

HCP’s PPO plans limit chiropractic care through dollar limits per visit and per annual maximum. This proposal would require chiropractic care to be treated in the same manner as medical, which is subject to a deductible and coinsurance. The cost associated with this change would be spread among the entire cost of the policy and the entire membership.

HCP assumes some overall additional cost is expected. However, an actual dollar amount is difficult to estimate as it will depend upon the number of additional services.

Officials from the **Department of Insurance (INS)** assume insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state that DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. The managed care health plans are subject to the proposed legislation, therefore, there is a fiscal impact to the DMS.

ASSUMPTION (continued)

DMS states if the service proposed in the new legislation is not a Medicaid state plan service, only the recipients enrolled in managed care would receive the service. There would be no federal financial participation (See Cost Scenario 1). In order to receive federal participation, the service would need to be included in the Medicaid state plan, therefore services would be provided to all Medicaid recipients (See Cost Scenario 2).

General Assumptions for Both Cost Scenarios:

A 1991 Gallup poll commissioned by the American Chiropractic Association found that 10.1% of adults (18 and over) had used chiropractic services within the last year. DMS assumes the adult Missouri Managed Care population will use chiropractic services at the same rate. DMS assumes that children will use chiropractic services but at a lower rate than adults. A 5% participation rate was assumed by DMS.

DMS assumes the average number of visits per user will be 11 visits. This is based on a Rand Study from 1991 - A Community-Based Study of the Use of Chiropractic Services.

DMS assumes the chiropractic services will be limited to those procedures currently covered by Medicare. The services will be limited to chiropractic manipulative treatment (CMT) spinal, one to five regions. The projected cost of a visit is \$17.39. The average rate for Medicare procedure codes for area 01 is \$34.78. The average rate was then multiplied by 50% to arrive at the Medicaid cost per visit. Historically, Medicaid rates are originally set at 50% of the Medicare rate.

Per the Division of Professional Registration's available statistics in January 2002, there are 1,886 licensed chiropractic physicians in Missouri. If 75% enroll in the Medicaid program, additional staff will be needed to handle the increased workload. Currently there are 13 staff who handle the enrollment issues and 34,155 providers enrolled in the Medicaid program. This is 2,627 providers per staff member. If 1,415 chiropractors enroll in the Medicaid program, one-half FTE will be needed ($1,415 / 2,627 = 53.9\%$). The FTE will be responsible for enrolling the providers - mailing enrollment packets, reviewing applications for accurate and complete information, issuing provider numbers, and updating provider files. **Oversight** assumes that DMS could absorb the additional workload and would not require an additional one-half FTE.

DMS further assumes that both cost scenarios would involve the following one-time administrative cost: (1) DMS's actuary would re-negotiate the current contracts with the managed care health plans. The increased fee is \$75,000, (2) A Medicaid bulletin would need to be prepared and distributed to all providers involved. The estimated cost is \$13,100. (3) At least two mailings would need to be prepared and sent to notify enrollees. The estimated cost is \$20,000. (4) State Fair hearings would also increase which would add additional costs for ASSUMPTION (continued)

administration. The estimated cost is unknown. (5) System work would need to be completed

for claims to be processed and paid. Total Administration costs for both scenarios are \$108,100.

Cost Scenario 1

The DMS makes the following assumption if the service were not a Medicaid state plan service and only recipients enrolled in managed care would receive the service: (1) Fee for service recipients--the estimated cost is no fiscal impact because fee for service individuals would not receive this service. (2) The managed care recipients--capitated rates would increase due to the added service.

DMS states the current Managed Care population (October 2001) consists of 87,192 adults and 311,191 children (age 0 to 17). DMS states the projected adult population of chiropractic users is 8,806 ($87,192 \times 10.1\%$). DMS states the projected child population of chiropractic users is 15,560 ($311,191 \times 5\%$). DMS states the projected population of chiropractic users is 24,366 ($8,806 + 15,560$). Therefore, DMS states the projected annual cost increase in managed care capitation payments is \$4,660,972 ($24,366 \text{ users} \times 11 \text{ visits} \times \$17.39/\text{visit}$). There would be no federal match rate for the program expenditures.

FY 03 - \$3,884,143 (10 months); Administration \$108,100

FY 04 - \$4,870,716 (includes 4.5% inflationary factor)

FY 05 - \$5,089,898 (includes 4.5% inflationary factor)

Cost Scenario 2

The DMS assumes chiropractic services would be included in the Medicaid State Plan and services would be provided to all recipients in this scenario.

The current Medicaid population (October 2001) consists of 386,694 adults and 473,346 children (age 0 to 17). DMS states projected adult population of chiropractic users is 39,056 ($386,694 \times 10.1\%$). DMS states projected child population of chiropractic users is 23,667 ($473,346 \times 5\%$). DMS states the projected population of chiropractic users is 62,723 ($39,056 + 23,667$). Assuming no increase from actuarial calculations, the projected annual cost is calculated as \$11,998,283 ($62,723 \text{ users} \times 11 \text{ visits} \times \$17.39/\text{visit}$).

DMS states the match rate of 61.23% is used for program expenditures.

FY 03 - \$9,998,568 (10 months); Administration \$108,100

FY 04 - \$12,538,205 (includes a 4.5% inflationary factor)

FY 05 - \$13,102,425 (includes a 4.5% inflationary factor)

ASSUMPTION (continued)

DMS is presenting scenario 2 as the cost for the fiscal note due to its more efficient usage of state resources.

CM:LR:OD (12/01)

Oversight assumes the amount presented by DMS reflect a maximum number of individuals that would obtain chiropractic services. Oversight will present a range which includes the administrative portion and the program cost but not the additional one-half FTE. Oversight will present costs at \$0 to \$9,998,568 for FY 03; \$0 to \$12,538,205 for FY 04; and \$0 to \$13,102,425 for FY 05.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer their fiscal note response to the Department of Transportation.

Officials from the **Department of Transportation (DHT)** state this legislation requires health carriers to provide chiropractic care with deductibles and co-payments which are no more restrictive than for other medical services. DHT states this legislation will have no fiscal impact on DHT. The Highway & Patrol Medical Plan is not included in the definition of health carrier in Chapter 376 but section 104.801 RSMo. 2000 would require the Medical Plan to provide similar coverage. The Medical Plan currently covers some chiropractic care, but excludes many services as well as limits the number of services that it does cover with a chiropractor. As a result, DHT states there will be a fiscal impact to the Medical Plan because the Medical Plan would not be able to limit its services unless it was limiting those same services with other medical physicians.

Currently the medical plan covers only the manual manipulation of the spine by a licensed chiropractor to correct a subluxation that has been demonstrated by X-ray from a physician or chiropractor (the plan allows coverage for one X-ray by a chiropractor per calendar year). DHT states covered services for manual manipulations are limited to 30 treatments per calendar year. Assuming that the Medical Plan would have to cover office visits as well as many of the other services that a chiropractor offers and not limit the number of treatments per calendar year, DHT assumes there would be a substantial fiscal impact to the medical plan. Without knowing the exact procedures or how many individuals would start utilizing a chiropractor, there is no way to estimate a fiscal impact. DHT states that the impact would be very substantial due to the increase in coverage as well as an increase in utilization.

Historically, the DHT, MHP and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the DHT (commission) must make a decision on what portion they will provide. Until the commission makes a decision, DHT can only provide the cost to the medical plan.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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ALL FUNDS

CM:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>Costs - All Funds</u>			
Increased state contributions	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON ALL FUNDS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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GENERAL REVENUE

<u>Costs - Department of Social Services</u>			
Increased capitation payments	(\$0 to \$3,918,355)	(\$0 to \$4,861,062)	(\$0 to \$5,079,810)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$0 to \$3,918,355)</u>	<u>(\$0 to \$4,861,062)</u>	<u>(\$0 to \$5,079,810)</u>
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INSURANCE DEDICATED FUND

<u>Revenue - Department of Insurance</u>			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
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HIGHWAY FUND

<u>Costs - Department of Transportation</u>			
Increased state contribution	(Unknown)	(Unknown)	(Unknown)

<u>Costs - Department of Public Safety - Missouri State Highway Patrol</u>			
Increased state contribution	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT TO HIGHWAY FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FEDERAL FUNDS

Income - Department of Social Services

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Medicaid Reimbursements	\$0 to \$6,188,313	\$0 to \$7,677,143	\$0 to \$8,022,615
<u>Costs - Department of Social Services</u>			
Medicaid program costs	(\$0 to \$6,188,313)	(\$0 to \$7,677,143)	(\$0 to \$8,022,615)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be affected by this proposal which could result in higher health insurance premiums.

DESCRIPTION

This proposal requires health carriers to include chiropractic care as part of their basic health care services and allow direct access to chiropractors within a provider's network. The proposal prohibits a health carrier's gatekeeper from misinforming enrollees about the availability of chiropractic care. In addition, the bill prohibits health carriers from discriminating against chiropractors through accessibility, fees, coverage limits, practice parameters, or utilization reviews.

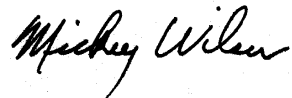
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
 Department of Social Services

CM:LR:OD (12/01)

Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Department of Public Safety -
Missouri State Highway Patrol

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 25, 2002